



**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**

(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

Consolidated Financial Statements

December 31, 2001 and 2000

(With Independent Auditors' Report Thereon)



701 West Eighth Avenue  
Suite 600  
Anchorage, AK 99501

## Independent Auditors' Report

The Board of Directors  
Alaska Growth Capital BIDCO, Inc.

We have audited the accompanying consolidated balance sheet of Alaska Growth Capital BIDCO, Inc. and subsidiary (a wholly-owned subsidiary of Arctic Slope Regional Corporation), (Company) as of December 31, 2001, and the related consolidated statements of income, cash flows and stockholder's equity for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Alaska Fisheries, LLC (LLC), 49.4% owned investee company. The Company's investment in the LLC at December 31, 2001 was \$415,124, and its equity in loss of the LLC was \$359,524 for the year ended December 31, 2001. The financial statements of the LLC were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the LLC, is based solely on the report of the other auditors. The accompanying financial statements of the Company, as of December 31, 2000, were audited by other auditors whose reported thereon dated January 26, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Alaska Growth Capital BIDCO, Inc. and subsidiary at December 31, 2001, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**KPMG LLP**

February 8, 2002



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association.

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**

(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

**Consolidated Balance Sheets**

December 31, 2001 and 2000

	<b>Assets</b>	<b>2001</b>	<b>2000</b>
Cash and cash equivalents	\$	3,774,769	1,106,794
Accounts receivable		202,044	1,296,069
Loans held for sale		343,645	—
Interest receivable		97,854	181,177
Prepaid and other assets		8,069	6,713
Deferred tax asset (note 7)		321,628	237,180
Assets held in trust (note 8)		216,219	162,593
Investment in Alaska Fisheries, LLC (note 5)		415,124	774,648
Property and equipment, net of accumulated depreciation (note 4)		57,447	67,057
Loans receivable, net of allowance for loan losses of \$267,500 and \$321,891 at December 31, 2001 and 2000, respectively (notes 2 and 3)		5,092,866	3,921,996
Total	\$	<u>10,529,665</u>	<u>7,754,227</u>
<b>Liabilities and Stockholder's Equity</b>			
Accounts payable and accrued expenses	\$	493,601	267,222
Income taxes payable to parent (note 7)		1,734,399	738,306
Deferred revenue		2,059,200	1,224,000
Deferred compensation liability (note 8)		216,219	162,593
Minority interest		40,000	—
Long-term debt (note 6)		896,369	1,576,467
Total liabilities		5,439,788	3,968,588
Stockholder's equity:			
Common stock		2,058,773	2,058,773
Additional paid-in capital		1,000,000	1,000,000
Retained earnings		2,031,104	726,866
Total stockholder's equity		5,089,877	3,785,639
Commitments and contingencies (notes 8, 9 and 12)			
Total	\$	<u>10,529,665</u>	<u>7,754,227</u>

See accompanying notes to consolidated financial statements.

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**

(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

Consolidated Statements of Income

Years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Revenues:		
Grant and contribution revenue	\$ 2,725,800	258,517
Loan conversion credits, ASTF (note 6)	824,884	900,395
Interest and fees on loans	377,102	344,928
Interest and investment earnings	305,615	358,106
Consulting fees	27,939	72,191
Other income	124,319	42,113
	<u>4,385,659</u>	<u>1,976,250</u>
Costs and expenses:		
Salaries and employee benefits	968,421	658,255
Provision for loan losses (note 3)	246,498	321,891
Professional fees	88,306	120,932
Supplies	46,102	30,897
Equipment, rent and operations	45,751	49,400
Office operations	41,533	27,403
Travel	38,588	46,087
Depreciation and amortization	36,482	21,631
Utilities	32,014	24,925
Dues, fees and licenses	23,321	19,344
Professional development	20,983	29,545
Advertising and promotion	19,440	13,745
Board and committee fees	16,800	9,550
Insurance	16,265	11,607
Other	24,962	34,489
	<u>1,665,466</u>	<u>1,419,701</u>
Operating income	2,720,193	556,549
Other expenses:		
Interest	144,786	192,783
Equity in loss from Alaska Fisheries, LLC (note 5)	359,524	25,352
	<u>2,215,883</u>	<u>338,414</u>
Income before income tax	2,215,883	338,414
Income tax expense (note 7)	911,645	136,041
	<u>1,304,238</u>	<u>202,373</u>
Income from continuing operations	1,304,238	202,373
Discontinued operations		
Loss from operations of discontinued operations		
net of income tax benefit of \$10,587 (note 11)	—	(15,749)
Loss on disposal of High Priority Services including provision		
of \$9,151 for operating losses during phaseout		
period, net of income tax benefit of \$3,678 (note 11)	—	(5,473)
	<u>—</u>	<u>(21,222)</u>
Net income	\$ <u>1,304,238</u>	<u>181,151</u>

See accompanying notes to consolidated financial statements.

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**

(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

**Consolidated Statements of Cash Flows**

Years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Operating activities:		
Net income	\$ 1,304,238	181,151
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	36,482	21,631
Equity in loss from Alaska Fisheries, LLC	359,524	25,352
Expected loss on disposal of discontinued operations	—	35,487
Loan conversion credits, ASTF	(824,884)	(900,395)
Relief of accrued interest expense	144,786	192,783
Deferred taxes	(84,448)	(172,655)
Provision for loan losses	246,498	321,891
Loss on disposal of assets	1,155	—
Changes in assets and liabilities that provided (used) cash:		
Interest receivable	83,323	(82,338)
Accounts receivable	1,094,025	(1,241,505)
Prepays and other assets	(1,356)	(2,602)
Accounts payable and accrued expenses	1,222,472	320,791
Deferred revenue	835,200	624,000
Net cash (used in) provided by operating activities	<u>4,417,015</u>	<u>(676,409)</u>
Investing activities:		
Purchase of property and equipment	(28,027)	(37,357)
Proceeds from minority interest	40,000	—
Investment in Alaska Fisheries, LLC	—	(585,487)
Net increase in loans	<u>(1,761,013)</u>	<u>(1,474,381)</u>
Net cash used in investing activities	<u>(1,749,040)</u>	<u>(2,097,225)</u>
Net increase (decrease) in cash and cash equivalents	2,667,975	(2,773,634)
Cash and cash equivalents:		
Beginning of year	<u>1,106,794</u>	<u>3,880,428</u>
End of year	\$ <u>3,774,769</u>	<u>1,106,794</u>
Supplemental disclosure of noncash investing and financing activities:		
During the year ended December 31, 2000, the Company converted \$250,000 of loans receivable into an equity investment.		

See accompanying notes to consolidated financial statements.

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**

(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

**Consolidated Statements of Stockholder's Equity**

Years ended December 31, 2001 and 2000

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of January 1, 2000	\$ 2,058,773	1,000,000	545,715	3,604,488
Net income for 2000	—	—	181,151	181,151
Balance as of December 31, 2000	2,058,773	1,000,000	726,866	3,785,639
Net income for 2001	—	—	1,304,238	1,304,238
Balance as of December 31, 2001	<u>\$ 2,058,773</u>	<u>1,000,000</u>	<u>2,031,104</u>	<u>5,089,877</u>

See accompanying notes to consolidated financial statements.

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**

(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

Notes to Consolidated Financial Statements

December 31, 2001 and 2000

**(1) Operations and Summary of Significant Accounting Policies**

**(a) Operations**

Alaska Growth Capital BIDCO, Inc. (the Company), a wholly-owned subsidiary of Arctic Slope Regional Corporation (Note 5) was formed under the provisions of Alaska Statute 10.13 "Alaska BIDCO Act". The Company was incorporated on April 25, 1997, as a profit-oriented, market-disciplined private financial institution providing risk capital and management assistance to small and medium sized businesses in Alaska. Specifically, the Company is a financial entity that makes loans to private businesses that might not otherwise qualify for loans from a commercial bank. By statute, the Company is also authorized to make equity investments. Loans and equity investments made are restricted to entities within the State of Alaska.

As stated in the Articles of Incorporation of the Company, ten thousand (10,000) shares of Class C, no par value, non-assessable, voting common stock is authorized. As of December 31, 2001 and 2000, 2,058 shares have been issued to the sole stockholder, Arctic Slope Regional Corporation (ASRC or Parent).

**(b) Estimates and Assumptions**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**(c) Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its 51 percent owned subsidiary, Alaska Environmental, LLC which was formed in December 2001 to provide environmental and trucking services in and around the State of Alaska. All significant inter-company balances and transactions have been eliminated.

**(d) Cash and Equivalents**

Cash and cash equivalents consist of highly liquid investments, maintained as part of the Company's cash management activities, which are readily convertible into cash and have maturities of less than three months from their date of purchase.

**(e) Loans and Loan Fees**

Loans are reported at their outstanding unpaid principal balances, adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loans are placed in nonaccrual when management believes the collectibility of the interest is doubtful. All interest accrued but not collected for loans that are placed on nonaccrual is reversed against interest income. The interest on these loans is accounted for on the cash basis, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**  
(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

Notes to Consolidated Financial Statements

December 31, 2001 and 2000

reasonably assured. Loan origination fees, net of certain direct origination costs, are deferred and recognized over the life of the loan by a method approximating the level-yield method.

**(f) Allowance for Loan Losses**

The allowance for loan losses is a management estimate of the reserve necessary to absorb probable losses in the Company's loan portfolio. In determining the adequacy of the allowance, management evaluates prevailing economic conditions, results of regular examinations and evaluations of the quality of the loan portfolio by external parties, actual loan loss experience, the extent of existing risks in the loan portfolio and other pertinent factors. Future additions to the allowance may be necessary based on changes in economic conditions and other factors used in evaluating the loan portfolio. Additionally, the State of Alaska, as an integral part of their examination process, periodically reviews the allowance for loan losses. This agency may require additions to the allowance based on their judgments of information available to them at the time of their examination.

The allowance for impaired loans is based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependant loans.

**(g) Loans Held for Sale**

Loans held for sale are carried at the lower of cost or estimated fair value in aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

**(h) Property and Equipment**

Property and equipment is recorded at the lower of cost or estimated fair value, and is depreciated over the estimated useful lives ranging from three to five years using the straight-line method.

**(i) Investments in Affiliates**

Investments in affiliates in which the company exerts significant influence, generally when the percentage ownership is greater than 20 percent but less than 50 percent, are accounted for on the equity method of accounting. The Company's prorata share of the earnings or losses is reflected in the consolidated statements of income.

**(j) Loans Servicing Fees**

Loan servicing fees are based on a percentage of the outstanding unpaid principal balances being serviced and are included in income as related loan payments from customers are collected.

**(k) Deferred Revenues**

Deferred revenues consist of advances from funding agencies. Advances from funding agencies are considered earned when performance goals and other restrictive covenants of the grants are achieved.



**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**

(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

**Notes to Consolidated Financial Statements**

**December 31, 2001 and 2000**

**(l) *Earnings (Loss) Applicable to Minority Interests***

Minority interest in results of operations of the consolidated subsidiary represents the minority shareholder's share of the income or loss of the consolidated subsidiary. The equity of minority shareholder in consolidated subsidiary in the consolidated balance sheet reflects the original investment by this minority shareholder in the consolidated subsidiary, along with its proportional share of the earnings or losses of the subsidiary.

**(m) *Contributions***

Contributions are considered earned when received unless there are significant donor imposed restrictions.

**(n) *Income Taxes***

The Company files a consolidated return with its Parent; however, the Company records its own tax expense and liability as if it filed on a stand-alone basis, and the Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

**(o) *Geographic Concentration and Alaska Economy***

The Company's growth and operations depend upon the economic conditions of Alaska and the specific markets it serves. The economy in Alaska is dependent upon the natural resources industries, in particular oil production, as well as tourism, government, and U.S. military spending. Any significant changes in the Alaska economy and the markets the Company serves could have a positive or negative impact on the company.

**(p) *Reclassifications***

Certain reclassifications have been made to the 2000 balances to conform to the 2001 presentation.

**(q) *Financial Statement Presentation***

The Company prepares its financial statements using an unclassified balance sheet as is customary in the mortgage banking industry.

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**

(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

**Notes to Consolidated Financial Statements**

December 31, 2001 and 2000

A classified balance sheet presentation would have aggregated current assets, current liabilities and net working capital, as follows:

	<u>2001</u>	<u>2000</u>
Current assets	\$ 7,614,776	4,403,374
Current liabilities	<u>2,228,000</u>	<u>1,005,528</u>
Excess of current assets over current liabilities	<u>\$ 5,386,776</u>	<u>3,397,846</u>

**(2) Loans Receivable**

The Company's loan portfolio is primarily comprised of commercial financing, secured by real estate or other similar collateral. The scheduled principal payments on the loan portfolio are as follows:

<u>Year ending December 31,</u>	
2002	\$ 2,866,767
2003	218,251
2004	418,203
2005	219,059
2006	223,231
Thereafter	<u>1,414,855</u>
	<u>\$ 5,360,366</u>

At December 31, 2001 and 2000, the recorded investment in loans that are considered to be impaired was \$2,149,891 and \$791,891, respectively, all of which were on non-accrual basis. At December 31, 2001 and 2000, a specific allowance of \$75,000 and \$0, respectively, was established against the recorded investment in impaired loans.

**(3) Allowance for Loan Losses**

The following is a detail of the allowance for loan losses:

	<u>2001</u>	<u>2000</u>
Balance as of January 1,	\$ 321,891	—
Provision for loan losses	246,498	321,891
Net charge-offs	<u>(300,889)</u>	<u>—</u>
Balance as of December 31,	<u>\$ 267,500</u>	<u>321,891</u>

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**  
(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

Notes to Consolidated Financial Statements

December 31, 2001 and 2000

**(4) Property and Equipment**

The Company's investment in property and equipment at December 31, is as follows:

	<u>2001</u>	<u>2000</u>
Leasehold improvements	\$ 16,295	16,295
Office equipment	108,772	89,580
	<u>125,067</u>	<u>105,875</u>
Less accumulated depreciation	<u>(67,620)</u>	<u>(38,818)</u>
	<u>\$ 57,447</u>	<u>67,057</u>

**(5) Investment in Alaska Fisheries, LLC**

In December 2000, the Company purchased 45 percent of Alaska Fisheries, LLC for \$550,000 in cash and the conversion of a \$250,000 outstanding loan receivable. During 2001, the Company increased its ownership interest to 49.4 percent under a member credit support agreement. Alaska Fisheries, LLC was organized for the purpose of catching, harvesting, processing and bringing to market ground fish caught in and around the Bering Sea and the waters off the Aleutian Islands. The LLC began operations in October 2000. Summarized information is as follows:

	<u>2001</u>	<u>2000</u>
Assets	\$ 4,243,881	3,195,134
Liabilities	\$ 3,260,670	1,466,598
Equity	983,211	1,728,536
	<u>\$ 4,243,881</u>	<u>3,195,134</u>
Equity allocable to the Company	<u>\$ 415,124</u>	<u>774,648</u>
For the year-ended December 31, 2001 and the period of October 20, 2000 to December 31, 2000:		
Revenues	\$ 2,633,893	—
Net loss	\$ (753,093)	(164,874)
Net loss allocable to the Company	<u>\$ (359,524)</u>	<u>(25,352)</u>

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**  
(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

Notes to Consolidated Financial Statements

December 31, 2001 and 2000

**(6) Long-term Debt**

Long-term debt of the Company consists of the following at December 31:

	<u>2001</u>	<u>2000</u>
ASTF loan due in 2009 bearing interest at variable rates (6.75% and 8.25% at December 31, 2001 and 2000, respectively)	\$ <u>896,369</u>	<u>1,576,467</u>

Effective June 18, 1999, the interest rate on this loan was adjusted to the latest prime rate published in the *Wall Street Journal*. At each annual anniversary thereafter, the interest rate shall be adjusted to the latest prime rate published in the *Wall Street Journal*; provided, however, that the interest rate must remain between 6.5 percent and 10.5 percent.

The Company's debt consists of a loan from The Alaska Science and Technology Foundation (ASTF). The loan is convertible to a grant throughout the term of the loan through credits granted by ASTF. Credits to convert the loan, or a portion thereof, into a grant may only be earned for financial assistance provided to qualified businesses. Accrued interest on the loan can also be converted through such credits. All principal and accrued interest that is not converted is due and payable on June 1, 2009. During the years ended December 31, 2001 and 2000, the Company converted credits in the amount of \$824,884 and \$900,395 against the accrued interest of \$144,786 and \$192,783, respectively and loan principal outstanding of \$680,098 and \$707,612, respectively.

The loan agreement contains compliance covenants that include restrictions on the use of loan funds, reporting requirements and restrictions on the sale and transfer of stock. The Company believes it is in compliance with all covenants.

**(7) Income Taxes**

The Company files a consolidated tax return with its parent. The provision for income taxes for the years ended December 31 consists of the following:

	<u>2001</u>	<u>2000</u>
Current	\$ 996,093	294,431
Deferred	<u>(84,448)</u>	<u>(172,655)</u>
	\$ <u>911,645</u>	<u>121,776</u>

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**  
(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

Notes to Consolidated Financial Statements

December 31, 2001 and 2000

The actual income tax expense for 2001 and 2000 differs from the "expected" tax expense, computed by applying the U.S. federal corporate tax rate of 34% to income before income taxes, as follows:

	<u>2001</u>	<u>2000</u>
Computed "expected" income tax expense	\$ 753,400	115,061
State income tax, net of federal benefit	137,385	21,658
Other	20,860	(14,943)
	<u>\$ 911,645</u>	<u>121,776</u>

The components of and changes for the years ended December 31 in the deferred tax asset are as follows:

	<u>2000</u>	<u>Deferred tax expense (benefit)</u>	<u>2001</u>
Deferred tax assets:			
Deferred compensation	\$ 129,400	(74,643)	204,043
Allowance for doubtful accounts	86,920	(20,615)	107,535
Other	20,860	10,810	10,050
	<u>\$ 237,180</u>	<u>(84,448)</u>	<u>321,628</u>

**(8) Retirement Plan**

The Company participates in a qualified defined contribution 401(k) retirement plan (Plan) covering substantially all employees who have six months of service. The Plan is sponsored by ASRC. The Company matches employee contributions to the 401(k) Plan up to an annually determined percentage of each participant's compensation subject to statutory limits. For the year ended December 31, 2001 and 2000, the match rate was four percent. The amounts charged to operations for the years ended December 31, 2001 and 2000, were \$13,228 and \$11,500, respectively.

During 1997, the Company initiated a non-qualified plan (Plan) covering an executive of the Company. The Plan is designed to provide a long-term incentive program to such individual and promote the success of the Company. The Plan provides a cash benefit to the individual equal to 20 percent of accumulated earnings, as defined in the Plan. Benefit payments under the Plan will be made upon a change in control of the Company, or the individual's termination of employment, death or disability, whichever occurs first. The individual's interest in his benefit under this Plan shall vest over the course of four years from the effective date, at a rate of 25 percent a year.

The amounts charged to operations for the years ended December 31, 2001 and 2000, were \$284,650 and \$82,597, respectively.

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**

(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

Notes to Consolidated Financial Statements

December 31, 2001 and 2000

**(9) Operating Lease**

During 1999, the Company entered into a lease for office space with an organization whose President is a member of the Company's Board of Directors. The initial term expires November 2002, with an option to extend for an additional three year term, and requires annual rent increases which approximate the consumer price index. Under this noncancelable operating lease the Company is required to pay \$37,510 in 2002.

Lease expense on all operating leases of the Company was \$45,074 and \$47,393 for the years ended December 31, 2001 and 2000, respectively.

**(10) Related Party Transactions**

**(a) Central Treasury Banking and Financing**

The Company has a central treasury account which is controlled by ASRC. As a result, the Company maintains zero balance bank accounts and all moneys are swept into the central treasury daily. The central treasury also serves as an operating line-of-credit from which the Company is able to draw operating capital.

The Company earns or pays interest based on its actual daily balance in the central treasury. Total interest income for the Company was \$90,854 and \$263,049, during the years ended December 31, 2001 and 2000, respectively.

**(b) Insurance**

The Company participates in a self-insurance program with ASRC for workers' compensation, general and excess liability, auto, property and miscellaneous insurance coverage. The Company is charged workers' compensation insurance based on actual labor classifications of its employees. An allocation of general liability, other insurance coverage, and administration of brokerage fees is based on gross revenue. For the year ended December 31, 2001 and 2000, the Company incurred insurance expense of \$16,265 and \$11,607, respectively.

**(c) Other**

During the years ended December 31, 2001 and 2000 the following other transactions with the Company's joint ventures, Parent and other of the Parent's subsidiaries and affiliates are included in income:

	<u>2001</u>	<u>2000</u>
Consulting fees	\$ —	41,588
Interest and loan fees	49,523	4,500
Management fees	50,967	19,000
	<u>\$ 100,490</u>	<u>65,088</u>

**ALASKA GROWTH CAPITAL BIDCO, INC. AND SUBSIDIARY**

(A Wholly-Owned Subsidiary of  
Arctic Slope Regional Corporation)

**Notes to Consolidated Financial Statements**

**December 31, 2001 and 2000**

**(d) *Receivable and Payable Balances***

As a result of transactions with Company's joint ventures, Parent and other of the Parent's subsidiaries and affiliates, the Company has outstanding receivable and payable balances reflected in its balance sheet. Loan receivable and other receivable from related parties are \$1,190,000 and \$145,778; and \$531,591 and \$31,923, respectively at December 31, 2001 and 2000. There were no accounts payable to related parties at December 31, 2001 and approximately \$55,147, at December 31, 2001, respectively.

**(11) *Discontinued Operations***

On January 9, 2001, the Company decided to discontinue the operations of its 51 percent owned subsidiary, High Priority Services, Inc. (HPS), effective January 21, 2001. At December 31, 2000, there was no carrying value recorded in the consolidated financial statements for these assets. There was no gain or loss on discontinued operations recorded in the consolidated financial statements of the Company for the year ended December 31, 2000, from the abandonment of HPS's operations, other than the results of its operations from January 9, 2001 to January 21, 2001 as included in discontinued operations.

**(12) *Commitments and Contingencies***

**(a) *Grants and Loans***

Grants and loans received are subject to audit by funding agencies or their representatives. Amounts reflected in the consolidated financial statements as revenues in prior periods have generally not been audited by the funding agencies. Accordingly, adjustments of amounts received under grants and loans could result if the grants and loans are audited by such agencies. The Company believes it has complied with all grant and loan agreements.

**(b) *Loan Commitments***

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These instruments are limited to lines-of-credit and loan commitments. The credit and market risks involved in issuing the lines-of-credit and loan commitments are essentially the same as those involved in extending loans to customers. Such transactions are made under the same terms, including interest rates and collateral, as those prevailing at the same time for comparable on-balance sheet transactions. Amounts of off-balance sheet commitments as of December 31, 2001 and 2000, are \$169,912 and \$67,850, respectively for unused lines-of-credit. Loan commitments at December 31, 2001 and 2000, were \$2,265,000 and \$1,600,000.